

**STATEMENT OF
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DEPARTMENT OF VETERANS AFFAIRS (VA)
BEFORE THE
HOUSE COMMITTEE ON VETERANS' AFFAIRS
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Chairman Miller, Ranking Member Michaud, distinguished Members of the Committee, we are pleased to appear here this morning to update the Committee on the Department of Veterans Affairs' (VA) continuing efforts to improve construction procedures and planning processes resulting in the timely execution of major construction and leasing projects. Joining me this morning is Ms. Stella Fiotes, Executive Director, Office of Construction and Facilities Management.

The Department's infrastructure programs, which include major and minor construction, non-recurring maintenance (NRM), and leasing, are part of our ongoing mission to care for and memorialize our Nation's Veterans. The Department is committed to meeting our responsibility to design, build, and deliver quality facilities as tools to meet the demand for access to health care and benefits.

VA continues to improve its real property capital asset portfolio, providing state-of-the-art facilities that meet the needs of Veterans, allowing for the highest standard of service. We have taken on the challenge of updating our aging infrastructure to allow for flexibility to meet increased workload demands; changing Veteran patient demographics; advances in medical technology; new complex treatment protocols and

advanced procedures; patient-centered care and services delivered closer to where Veterans live; and evolving Federal requirements.

The focus of our testimony today is on VA's major construction and leasing program – specifically efforts to improve program execution and – to provide you a perspective of how we are delivering VA's important major construction projects.

Program Execution

VA has taken several steps to improve the management and oversight of its major construction and lease projects. In 2009, the VA Facility Management (VAFM) transformation initiative was established to improve planning processes; integrate construction and facility operations; and standardize the construction process. Our accomplishments include:

1. Integrated master planning - VA has adopted an enterprise approach to integrated master planning as our business process standard. Consistent master planning will standardize requirements development, which will minimize design changes.
2. Systems for project management - VA procured a collaborative project management software system in 2012 and is completing phase one fielding and will complete fielding in 2014. This software supports leases, major construction, and minor construction as well as NRM.
3. Post occupancy evaluations (POE) - The POE program, piloted in 2012, is now the business process standard for the major construction program, and will expand to the minor construction program in fiscal year (FY) 2014. POE

evaluates the completed construction to assure closure of all gaps and deficiencies noted in the approved project scope.

Further, VA has implemented the findings of the December 2009 Government Accountability Office's (GAO) report on "VA Construction: VA is Working to Improve Estimates, but Should Analyze Cost and Schedule Risks" and now performs risk analysis for potential cost and schedule delays as part of the project design process. VA has also implemented and recommended closure of all of the recommendations in the May 2013 GAO report "VA Construction: VA Additional Actions Needed to Decrease Delays and Lower Cost of Major Medical-Facility Projects." These include: adding medical planners to the major construction programs to support integration of medical equipment into the construction process; consolidating change management guidance for construction contracts into an updated, handbook for staff; hiring additional staff attorneys to facilitate faster legal reviews of change order documents; and hiring additional resident engineers and contracting officers to reduce processing time for change orders.

In April 2012, as a follow on to the VA Facility Management (VAFM) initiative, the Secretary of Veterans Affairs established the Construction Review Council (CRC) to serve as the single point of oversight and performance accountability for the planning, budgeting, execution, and management of the Department's real property capital asset program. Chaired by the Secretary, the CRC identified challenges in four major areas, and through deliberate process improvements VA has addressed the following:

1. Development of Requirements - VA now includes planners in the requirements development phase of the project, resulting in full requirements development before design commences. Design must advance to 35 percent completion prior to requesting major construction funds. This assures that full requirements are identified early and are designed, estimated, and managed through the construction cycle to yield more accurate cost estimates and scopes for VA's budget submissions.
2. Design Quality - VA policy now requires constructability reviews as part of every design review. These reviews identify potential design errors and omissions prior to construction, allowing the design to be corrected, and thereby reducing changes during construction.
3. Activation - VA has implemented an integrated approach to quantify the full activation costs associated with each project in order to assure the project construction program is coordinated with the development of the information technology (IT) and medical equipment budgets and plans. This prioritizes the funding and planning necessary for the procurement of medical equipment and IT infrastructure, in an effort to synchronize major equipment delivery and installation with the construction schedule.
4. Program Management and Automation - VA has increased the education and certification requirements of project managers and has deployed collaborative tools for project management to ensure project cost, scope, and schedule growth are controlled. VA has also increased staffing for the oversight and

execution of our construction project contracts in response to the size of the current construction program.

Additionally, we will incorporate the Department's acquisition program management framework into the project's acquisition life-cycle. This will ensure that acquisition decision milestones identified during the design and construction phases of the project are reviewed by the acquisition decision authority in determining if the project is in compliance with meeting the identified requirements, cost and scope before moving on to the next phase.

Through the CRC and continual review through the acquisition life-cycle, VA will continue to drive improvements in the management of VA's real property capital programs.

Another key component of our portfolio includes the major leasing program. VA is in the process of addressing recommendations in the October 2013 OIG report, "Review of Management of Health Care Center Leases." OALC and VHA are working together to implement corrective actions that will provide project managers additional guidance on acquiring build-to-lease facilities; establishing a reasonable timeline to award, construct and activate leases; ensuring key decisions and supporting analysis is documented; and improving the accuracy of expenditures associated with a project.

Major Project Update

VA bears the responsibility to manage all projects efficiently and to be good stewards of the resources entrusted to us by Congress and the American people.

The new Orlando medical center will include 134 inpatient beds, an outpatient clinic, a 120-bed community living center, a 60-bed domiciliary, parking garages, and support facilities all located on a new site. VA expects to serve nearly 113,000 Veteran enrollees through these facilities. The construction project is 85 percent complete. Currently, the prime contractor is projecting a completion date of September 2014, which is a slippage from the April 2014 date the contractor provided to VA in response to the Show Cause letter VA issued in January 2013. VA sent a Supplemental Agreement to the contractor to document the April 2014 date; however, the contractor declined to sign. While the contractor's performance does not meet our expectations, VA continues to work with the contractor as the best way to deliver this project to ensure a quality project is delivered to meet the needs of Veterans and their families.

The Denver replacement hospital will include 182 inpatient beds, an outpatient clinic, a 30-bed community living center, 30-bed spinal cord injury center, and 4-bed blind rehabilitation unit. VA expects to serve nearly 66,000 Veteran enrollees through these facilities. The construction project is approximately 30 percent complete. VA is now in litigation with the contractor regarding the integrated design and construction contract. Accordingly, I ask the Chairman's and the Committees' understanding that VA will not be able to respond to the matters at issue in the litigation as it may compromise the governments' legal position. However, the construction is ongoing, and VA continues to work with the contractor.

The New Orleans replacement hospital will include 200 inpatient beds, an outpatient clinic, and research, parking, and support facilities. VA expects to serve nearly 72,000 Veteran enrollees through these facilities. The construction project is approximately 34

percent complete. We are working closely with the contractor to arrive at a firm-fixed price for the construction.

VA will continue to apply lessons learned from our current medical center projects toward future construction. The next two proposed medical center replacement projects are located in Louisville, Kentucky, and Omaha, Nebraska where both projects are in the early stages of design.

The Louisville project is planned to include a new 108 bed medical center, a Veterans Benefits Administration Regional Office, structured parking, and associated campus infrastructure improvements. Schematic design solutions are being developed, concurrent with National Environmental Protection Act (NEPA) documentation on the 34 acre Brownsboro Road site in Louisville.

The Omaha project is scoped to replace most of the existing campus, including a new surgical suite, intensive care unit, bed tower, diagnostic and administrative services, energy center and parking garages. This project is further in development, having completed all required NEPA documentation, and has entered into the Design Development phase.

Conclusion

In FY 2012 and FY 2013, VA delivered over \$1.4 billion in facilities and continues work on 55 major construction projects valued at nearly \$13 billion to provide the much needed facilities for our Veterans and their families. VA has a strong history of delivering facilities to accomplish its mission to serve Veterans. To help ensure

previous challenges are not repeated and to lead to improvements in the management and execution of our capital program as we move forward we will focus on:

- ensuring well defined requirements and acquisition strategies that meet the project needs;
- assigning additional staff to assure timely project and contract administration;
- partnering sessions that include VA, the construction, and design contractors;
- early involvement of the medical equipment planning and procurement teams;
- applying the acquisition program management framework to our projects; and
- engaging in executive level on-site project reviews.

We continually seek innovative ways to further improve our ability to design and construct state-of-the-art facilities for Veterans and their families and we regularly engage in forums composed of both the private and public sectors that discuss best practices and challenges in today's construction industry.

As we have done this past year we will continue to meet with Congressional delegations to discuss their projects, brief the House and Senate Veterans' Affairs Staff to keep them apprised of the major construction program and provide regular updates to the Congressional Committees to ensure they are fully informed on the progress of these medical centers. Thank you for the opportunity to testify before the committee today. We look forward to answering any questions the Committee has regarding these issues.